MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018 SESSION

BAC1614 – FUNDAMENTALS OF FINANCIAL ACCOUNTING

(All Section / Groups)

12 MARCH 2018
9.00am – 12.00pm
(3 Hours)

INSTRUCTION TO STUDENT

1. This question paper consists of 7 pages excluding cover page with 4 questions only.
2. Attempt ALL questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) Ahmad opened a business; Ahmad's Repairs & Services Sdn Bhd on April 1st of the current year. During April, the following transactions occurred and were recorded in the company's books:

1 Ahmad invested RM25,000 cash in the business.
3 Ahmad contributed RM100,000 of equipment to the business.
4 Company paid RM2,000 cash to rent office space for the month.
7 Purchased on office supplies on credit for RM3,500.
10 Received RM16,000 cash for repair services provided during April.
13 Services provided for RM3,000 to customers on account.
20 Company received RM3,100 cash in advance to provide repair services to a customer in May.
25 Monthly utilities paid RM500 by cash.
27 Paid for the supplies purchased on 7th April with 2% discount.
28 Company paid RM6,200 for salaries for the month.
30 Company paid dividend RM5,000.

Required:

(i) Prepare journal entries to record the above transactions.

(12 marks)

(i) Identify FOUR (4) basic financial statements prepared in a business and explain how they are interrelated.

(4 marks)

(b) The following information pertains to the income of MRT Plumbing for the year ending December 31st, 2017:

Service revenues	RM 20,000
Salaries expense	RM 3,000
Rent expense	RM 10,400

The auditor had review the process used by the company to derive this income statement and discovered that the company had omitted the adjusting entries on December 31st 2017. The following adjusting information were omitted:

1. RM500 of the RM20,000 service revenue is for plumbing that will not be done until January 10th, 2018.

2. Employees earned RM700 of salaries for work done on December 31, 2017, but they will not be paid until January 2nd, 2018.

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3. Depreciation for MRT's truck and tools amounted to RM2,400 for 2017.

4. Rent expense is RM800 a month. On December 31st, 2017, MRT paid RM800 rent for January 2018, which is included in the rent expense given above.

5. A company also accept RM30,000 one-year notes from their customer with 10% interest on Sept 1st, 2017. This amount plus interest is due on Sept 1st, 2018.

Required:

(i) Journalize the adjusting entries based on the above information. Omit explanation.

(5 marks)

(ii) Prepare an income statement for MRT Plumbing for the year ended December 31st, 2017.

(4 marks)

Total 25 marks

QUESTION 2

(a) The following accounts are the adjusted year-end balances of MTC Products Company at December 31st, 2017. All accounts have a normal balance.

Accounts Titles	RM
Cash	9,400
Accounts Receivable	25,000
Merchandise Inventory	36,000
Office Supplies	900
Store Equipment	75,000
Accumulated Depreciation – Store Equipment	22,000
Office Equipment	60,000
Accumulated Depreciation – Office Equipment	15,000
Accounts Payable	42,000
Notes Payable	10,000
Share Capital - Ordinary	110,700
Dividends	48,000
Sales	325,000
Sales Discounts	6,000
Sales Return and Allowances	16,500
Cost of Goods Sold	195,000
Salaries Expense	32,500
Depreciation Expense – Store Equipment	11,000
Depreciation Expense – Office Equipment	7,500
Office Supplies Expense	1,300
Interest Expense	600

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Required:

(i) Prepare closing entries as at Dec 31st, 2017.

(5 marks)

(ii) Prepare an Income Statement of a Merchandising Company at Dec 31st, 2017.

(5 marks)

(b) MAGGI Company purchased merchandise from MEE Company with an invoice price of RM300,000 and credit terms of 2/10, n/30. The merchandise had cost MEE Company RM200,000. MAGGI Company paid within the discount period. Assume that both buyer and seller use a perpetual inventory system.

Required:

(i) Prepare journal entries to record the followings for:

BUYER		SELLER	
(a)	the purchase	(c)	the sale
(b)	the cash payment	(d)	the cash collection

(4 marks)

(ii) What does the term FOB mean? Differentiate between FOB shipping point and FOB destination.

(3 marks)

(c) A company uses the perpetual inventory system, and the following information is available. All purchases and sales are on credit.

Date		Units	Unit Cost	Total Cost	Unit Price
1/10	Inventory balance	30	RM 3	RM 90	
6/10	Purchase	70	4	280	
11/10	Purchase	45	5	225	
12/10	Sales	100			RM 10
16/10	Purchase	50	6	300	
20/10	Sales	60			11

Required:

(i) Prepare the journal entries to record the following transactions using FIFO cost flow methods:

(a) October 6th purchase.
(b) October 12th sale.
(c) October 20th sale.

(5 marks)

Continued...

(ii) Assuming the periodic inventory system is used, determine both the cost of the ending inventory and the cost of goods sold using the weighted average cost method for October.

(3 marks)

Total 25 marks

QUESTION 3

(a) Ixora Sdn. Bhd.'s bank statement for the month of January showed a balance per bank of RM7,000. The company's cash account in the general ledger had a balance of RM4,667 on January 31st, 2017. Other information is as follows:

1. Cash receipts for January 31st recorded on the company's books were RM5,000 but this amount does not appear on the bank statement.
2. The bank statement shows a debit memorandum for RM60 for cheque printing charges.
3. Cheque No. 119 payable to Perdana Sdn. Bhd. was recorded in the cash payments journal and cleared by the bank for RM248. A review of the accounts payable subsidiary ledger shows a RM36 credit balance in the account of Perdana and that the payment to them should have been for RM284.
4. The total amount of cheques still outstanding at January 31st amounted to RM5,800.
5. Cheque No. 138 was correctly written and paid by the bank for RM429. The cash payment journal reflects an entry for Cheque No. 138 as a debit to Accounts Payable and a credit to Cash in Bank for RM492.
6. The bank returned an NSF cheque from a customer for RM530.
7. The bank included a credit memorandum for RM2,060 which represents collection of a customer's note by the bank for the company; principal amount of the note was RM2,000 and interest was RM60. Interest has not been accrued.

Required:

(i) Prepare bank reconciliation for Ixora Sdn. Bhd. at January 31st, 2017.

(5 marks)

(ii) Prepare any adjusting entries necessary as a result of the bank reconciliation.

(4.5 marks)

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(b) Klinik Famili purchased a new surgical laser for RM80,000. The estimated residual value is RM5,000. The laser has a useful life of five years and the clinic expects to use it 10,000 hours. It was used 1,600 hours in year 1; 2,200 hours in year 2; 2,400 hours in year 3; 1,800 hours in year 4; 2,000 hours in year 5.

Required:

(i) Compute the annual depreciation for each of the five years under each of the following methods: Show all workings.

(a) Straight-line.
(b) Units-of-activity.

(4.5 marks)

(ii) Differentiate the two methods used above in relation to the reported income, income taxes and the amount of annual depreciation over the five years. Explain your answer.

(4 marks)

(c) IKEA Company had a January 1st balance in its Allowance for Doubtful Accounts of RM7,000 for the current year. The following transactions and events affected the Allowance for Doubtful Accounts during the current year:

April 15 A&W's account receivable of RM5,700 was deemed uncollectible.
July 1 KYC paid the full amount of a previously written-off account receivable. This receivable of RM2,300 had been written off in the prior year.
Dec 31 Estimated that RM7,500 of accounts receivables balance would be uncollectible.

Required:

(i) Prepare journal entries to record the above transactions. Show all workings.

(5 marks)

(ii) What should be the amount reported in the Allowance for Doubtful accounts in the Statement of Financial Position at Dec 31st.

(2 marks)

Total 25 marks

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QUESTION 4

(a) A company issued 10%, 10-year bonds with a par value of RM1,000,000 on January 1st, 2017 at a selling price of RM885,295 to yield the buyers a 12% return. The company uses the effective interest amortization method. Interest is paid semiannually each on June 30th and December 31st.

Required:

(i) Using the above information, describe the types of bond issuance. Explain your answer.

(4 marks)

(ii) Prepare journal entries to record the bond issuance on January 1st and the payment of semiannual interest on June 30th and Dec 31st, 2017. (Round-out the amount) Show all workings.

(8 marks)

(iii) Determine the amount of Bonds Payable account reported in the Statement of Financial Position at Dec 31st, 2017.

(3 marks)

(b) The financial statements of Etika Holdings appear below:

ETIKA HOLDINGS
Comparative Statements of Financial Position at December 31st, 2017

	2017 RM	2016 RM
Assets		
Property, plant and equipment (net)	260,000	300,000
Inventory	50,000	70,000
Accounts receivable (net)	50,000	30,000
Short-term investments	15,000	60,000
Cash	25,000	40,000
Total Assets	400,000	500,000
Equity & Liabilities		
Share capital – ordinary	150,000	150,000
Retained earnings	110,000	70,000
Bonds payable	80,000	160,000
Accounts payable	20,000	30,000
Short-term notes payable	40,000	90,000
Total Equity & Liabilities	400,000	500,000

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ETIKA HOLDINGS
Income Statement
For the Year Ended December 31st, 2017

	RM
Net sales	400,000
Cost of goods sold	240,000
Gross profit	160,000
Operating expenses	42,000
Income from operations	118,000
Interest expense	18,000
Income before income taxes	100,000
Income tax expense	30,000
Net Income	70,000

Additional information:

a) Cash dividends of RM23,000 were declared and paid in 2017.
b) Weighted-average number of ordinary shares outstanding during 2017 was 30,000 shares.
c) Market value of ordinary shares on December 31st, 2017, was RM21 per share.

Required:

Using the financial statements and additional information, compute the following ratios for Etika Holdings for 2017. Show all workings.

(i) Current Ratio
(ii) Return on ordinary shareholders' equity
(iii) Price-earnings ratio
(iv) Acid-test ratio
(v) Accounts receivable turnover
(vi) Times interest earned
(vii) Profit margin
(viii) Days in inventory
(ix) Payout ratio
(x) Return on assets

(10 marks)
Total 25 marks

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